

STATEMENT OF
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BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
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STIMULUS STATUS: TWO YEARS AND COUNTING

Chairman Mica, Ranking Member Rahall, and members of the Committee, thank you for inviting me to appear before you today to discuss the Department of Transportation's implementation of the American Recovery and Reinvestment Act.

The President signed the Recovery Act on February 17, 2009. The Recovery Act appropriated \$48.1 billion to the Department of Transportation. Most of this funding was appropriated for existing programs, such as the various highway programs administered by the Federal Highway Administration (FHWA), the Transit Capital Assistance Grants and Fixed Guideway Infrastructure Grants administered by the Federal Transit Administration (FTA), and the Federal Aviation Administration's Facilities and Equipment and Airport Improvement Programs. These programs have been very successful, funding more than 15,000 projects in all 50 states. As of April 29th, we've obligated over 99 percent of the funding for these projects, and over half of the projects have been completed. As of the end of January, these projects had provided 82,000 direct job-years of work for American workers, and over 280,000 job-years of work in the overall economy, taking into account indirect jobs in supplier industries and additional jobs generated as these employees spend their increased incomes.

These projects have had a significant, positive effect on the American transportation system. Almost 9,000 projects have been completed. Among the projects that we have funded is a fourth bore for the Caldecott Tunnel near Oakland, California, where hundreds of workers are expanding Highway 24 from six lanes to eight to alleviate congestion for 160,000 daily commuters from the Contra Costa suburbs to Oakland. We're expanding Interstate 94 in Wisconsin from six lanes to eight from Milwaukee down to the Illinois state line. In Tampa we're linking Interstate 4 with the Lee Roy Selmon Crosstown Expressway to provide trucks with direct access to the Port of Tampa without going through downtown – just the kind of “last-mile” investment in intermodal transportation that transportation experts have repeatedly told us we need. We've added over 8,000 buses to the Nation's transit fleet, enough to reach from here to Baltimore. We're restoring the 136-year-old Eads Bridge across the Mississippi in St. Louis to a State of Good Repair, along with 80-year-old subway stations in Philadelphia, and even the historic Brooklyn Bridge in New York City. Recovery Act funding has made it possible to expand transportation capacity around the Nation to serve the traveling public, and to finally get thousands of maintenance, repair, and rehabilitation projects done – many of which were long overdue but had been delayed pending the availability of funds.

In addition to these existing programs, Congress enacted a new competitive surface transportation grant program and added a considerable amount of funding to previously authorized high-speed rail programs. We are proud of the work that we have done in implementing these competitive grant programs and awarding grants within a year of the legislation being enacted. We are also pleased that we were able to use these programs to introduce the kind of competitive, merit-based, data-driven approach to project selection that the President has long advocated. And we are pleased that the U. S. Government Accountability Office (GAO), in reviewing these programs, generally found that we did a good job in carrying out the Congressional mandate.¹

The TIGER Grant Program

Congress provided \$1.5 billion for a new program of competitive surface transportation grants that we have called the “TIGER Grant” program – Transportation Investment Generating Economic Recovery. Everyone on this Committee knows that our transportation program is too stove-piped, with dozens of programs allocating money to narrowly defined categories of projects. The TIGER Grant program allowed us to break down these stovepipes, and allocate funds to the projects that our economy most needed, regardless of what mode of transportation they were in, and allowed us to fund projects that crossed the boundary between one mode of transportation and another. Moreover, this new program allowed us to demonstrate the use of best practices in evaluating and selecting projects – using competition to generate the best ideas that states and localities had to offer, and using benefit-cost analysis to evaluate which projects had the best prospects for success. While the TIGER Grant Program was in many ways a learning experience for our state and local partners and for us, we believe that the program is producing good value for the American people that will serve us well for generations to come.

We had several goals for the program. First, we wanted it to encourage economic recovery by getting projects started promptly. Second, we wanted to make a significant contribution to meeting the national transportation system’s long-term reinvestment needs by selecting projects that reflected our strategic goals. Third, we wanted our approach to the evaluation of project applications to be as rigorous and systematic as possible, within the limited time available, to ensure that we were selecting the best possible projects. And fourth, we wanted the selection process to reflect the President’s strong commitment to transparency.

The Notice of Funding Availability (NOFA) that we published on June 17, 2009, reflected these goals. It made clear that we would give preference to projects that could create employment promptly and that would create employment in areas where unemployment was high, and that we would give preference to projects that advanced our strategic goals. It also made clear that applicants would be expected to demonstrate how

¹ U.S. Government Accountability Office, *Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grantmaking Practices* (GAO-11-283, March 10, 2011) and *Surface Transportation: Competitive Grant Programs Could Benefit from Increased Performance Focus and Better Documentation of Key Decisions* (GAO-11-234, March 30, 2011).

well their projects would advance those strategic goals by providing a benefit-cost analysis that supported their assertions. It also made clear that, in the interest of transparency, we would document our decisionmaking process and make those documents available to GAO and the Department's Inspector General.

Before the applications came in, we organized Evaluation Teams to review the applications when they arrived. When the applications were submitted in September 2009 (over 1450 applications, requesting almost \$60 billion in funding), our 10 evaluations teams were in place and ready to begin reviewing applications. The Evaluation teams documented their ratings of the projects on standard Evaluation Sheets, shown in Appendix III of GAO's report. The Evaluation Sheet asks for a rating on each of the criteria laid out in the NOFA and a narrative discussion to justify the rating. We created a separate Control and Calibration Team to analyze the ratings of the 10 different teams to ensure that they were rating projects in a consistent way. The Evaluation Teams rated 115 applications as "Highly Recommended" and advanced them for further review.

We also created an Environmental Analysis Team to ensure that the projects were able to meet federal environmental requirements, and an Economic Analysis Team to determine whether each project's benefit-cost analysis demonstrated that it was reasonably likely to have benefits in excess of its costs. These teams reviewed the projects advanced by the Evaluations Teams and documented their ratings in written evaluations of each project. They then provided the results of their reviews to the Review Team, which would make the final recommendations to the Secretary.

The Review Team, comprising the Administrators of the Department's surface transportation modes with infrastructure responsibilities along with the Department's Assistant Secretaries, Deputy Secretary, and myself, met twice a week for several weeks to review these applications. We had presentations from the Evaluation Teams, Economic Analysis Team, and Environmental Analysis Team, and discussed these projects in some detail. Projects were given a preliminary rating by the Review Team, and then the Review Team returned to these ratings in subsequent meetings. In some cases we raised questions about a project and asked the staff to follow up with the project sponsor to get further information. Finally, after a lengthy process, we made our recommendations to the Secretary, who made the final decision about which projects should receive awards.

The statute required us to take measures so as to ensure an equitable geographic distribution of funds and an appropriate balance in addressing the needs of urban and rural communities. In some cases, this led us to consider and make awards to the best projects that would meet such statutory geographic distribution requirements. We ultimately selected 51 projects for awards.

These projects will have important impacts on the transportation system. The Otay Mesa project in Southern California, for example, will build a critical interchange between I-805 and State Route 905, allowing trucks bound for the border crossing with Mexico to use a six-lane highway rather than a local road. Otay Mesa is one of our biggest export

points to Mexico, handling \$10.3 billion in exports in 2010. Construction has begun in West Virginia on the Appalachian Regional Short-Line Railroad project, which will rehabilitate hundreds of miles of short-line railroad line in West Virginia, Kentucky, and Tennessee. This is a public-private partnership that will improve rail service and divert bulk shipments of aluminum, sand, and chemicals off of local highways and onto rail, enhancing safety and improving energy efficiency. The Kansas City Transit Corridors and Green Impact Zone project will rehabilitate and upgrade transit infrastructure in the city's 150-block Green Impact Zone and along regional transit lines. The Green Impact Zone is creating a national model that demonstrates how integrated, place-based investments can transform a community. The Milton-Madison Bridge between Kentucky and Indiana will not only replace an 80-year-old bridge in poor repair, but it will pioneer design-build techniques that will reduce the length of the expected bridge closure from one year to just 10 days.

The President has proposed building upon the concepts embodied in the TIGER Grant Program by creating a National Infrastructure Bank, with funding of \$5 billion per year. Like the TIGER Grant Program, the National Infrastructure Bank would break down the modal silos so that DOT can fund more innovative projects to achieve our national transportation goals. Like the TIGER Grant Program, the National Infrastructure Bank would allow us to fund intermodal connections that would streamline our transportation system and make each part of it work more effectively. Like the TIGER Grant Program, the National Infrastructure Bank would use economic analysis to evaluate the benefits and costs of alternative projects, allowing us to direct our funding toward the projects that promise the greatest return to the American people. Unlike the TIGER Grant Program, the National Infrastructure Bank would provide a more flexible range of funding options, including grants, loans, and loan guarantees, to allow us to leverage our limited supply of federal funding and to bring private sector partners in to participate in infrastructure financing, design, and operation. We recognize that the vast majority of our federal transportation funding will continue to flow to the States through the kinds of formula programs that we have used in the past. But we also believe that some funding should be available in competitive programs like TIGER and the National Infrastructure Bank so that states that have innovative projects – that go beyond the scope of their formula allocation, that make notable contributions to achieving our transportation goals, and that provide demonstrable economic benefits to Americans not just in one state but across the country – can receive the funding and financing that they could not get from formula programs alone.

The High-Speed Rail Grant Program

Congress also decided to allocate a significant level of funding to carry out the high-speed rail program that had been enacted with President Bush's signature in 2008 as the Passenger Rail Investment and Improvement Act (PRIIA). While this program had already been authorized, the increased funding required us to expand our effort to evaluate competing projects and administer grant awards.

As with the TIGER Grant Program, DOT issued a Notice of Funding Availability to notify potential applicants of the criteria under which grant applications would be evaluated. We established Technical Review Panels to review the applications and rate them in terms of how effectively they met the initial evaluation criteria in the NOFA. The Technical Review Panels used guidebooks to assess the applications against six technical review criteria – transportation benefits, economic recovery benefits, other public benefits (such as environmental and energy-saving benefits), the project management approach, the sustainability of benefits, and the likely timeliness of project completion. We required applicants to provide information on benefits and construction and operational costs of their proposed projects to support consideration of the benefits that the project would provide. The High-Speed Rail Program was complicated by the fact that we had several different program authorizations, not only in PRIIA but in past appropriations acts. So we established four “tracks” within which applicants could apply, with different program eligibilities and criteria for each track. The ratings of the Evaluation Teams were documented with narratives explaining why each rating was given. As with the TIGER Grant Program, a Review Team reviewed the ratings prepared by the Evaluation Teams and made recommendations to the Secretary. Part of the role of this Review Team was to apply the selection criteria outlined in the NOFA, such as regional balance, balance between large and small population centers, and the need for assistance to economically distressed areas.

The High-Speed Rail Program has also had some notable successes. Recognizing the work required to establish a comprehensive new infrastructure program, Congress gave the Department until September 30, 2012, to obligate the \$8 billion appropriated for high-speed and intercity passenger rail. The Department is on track to meet this deadline, having already obligated 70 percent of the funding through 31 awards to 17 states. Last September construction began on the Chicago-St. Louis corridor, where we will be increasing train speeds from 79 to 110 mph. Illinois completed 76.5 miles of track work last fall, and expects to complete another 96 miles this summer. The state will also be buying new locomotives and passenger cars for the route, and will improve stations, install improved signaling systems for safe operations, and make grade crossing improvements. In North Carolina, the first new locomotive funded by their Recovery Act grant was delivered last June, allowing operation of an additional daily train between Charlotte and Raleigh. Construction is now underway on improvements to three stations and a railyard. In March our grantee, the North Carolina Department of Transportation, reached agreement with project stakeholders, which has allowed us to disburse the final \$462 million to fund additional construction over the next three years. Maine began construction last August on new trackwork and station platforms to allow the Northern New England Passenger Rail Authority to extend the “Downeaster” passenger rail from Portland to Freeport and Brunswick. Construction has continued this Spring, and will be completed by Fall 2012. Finally, California is partnering with us to build the first over-200-mph high-speed rail system in the United States, and has matched our funding commitment by drawing from \$9 billion in bonds authorized for the program in a vote by the citizens of the State.

The President believes that we should continue our progress in constructing a new surface transportation system for the 21st Century. As he said in his State of the Union Address, “Within 25 years, our goal is to give 80 percent of Americans access to high-speed rail.” He has therefore proposed spending \$3.1 billion for High-Speed Rail Corridor Development in Fiscal Year 2012. This will maintain our momentum toward expanding our high-speed passenger rail network, bring our existing rail network up to a state of good repair, and increase the overall capacity of our rail network, allowing freight trains to operate more freely as well.

GAO’s Reviews of the TIGER Grant and High-Speed Rail Programs

We welcome GAO’s reviews of our work. While we always try to administer our programs consistent with the best management practices, we recognize that a second opinion is always valuable in identifying ways in which we can do our work better. GAO plays that role of providing a second opinion.

GAO has recently issued two reports on our Recovery Act work, one on the TIGER Grant Program and one on the High-Speed Rail Program. In its report on the TIGER Grant Program, GAO found that USDOT had “developed comprehensive merit-based selection criteria and a competitive selection process to evaluate TIGER applications and meet statutory criteria.” GAO found that DOT had “followed key federal guidance and standards for developing selection criteria.” GAO noted that, unlike the TIGER Grant Program, “many federal surface transportation programs do not effectively address key challenges because federal goals and roles are unclear, programs lack links to performance, and some programs do not use the best tools and approaches to ensure effective investment decisions.” As a result “we have recommended that a criteria-based selection approach—like that developed in TIGER—be used to direct a portion of federal funds in programs designed to select transportation projects with national and regional significance.”

GAO also found that DOT

“maintained good documentation of the criteria-based evaluation conducted by its Evaluation Teams in the technical review and effectively communicated information about its criteria to applicants—an important step in promoting competition and fairness. By thoroughly documenting how its technical teams considered and applied the criteria, clearly communicating selection criteria to applicants, and publicly disclosing some information on the attributes of the projects that were selected, DOT took important steps to build the framework for future competitive programs.”

GAO also raised concerns that we had not documented the discussions by the Review Team that led to the recommendations to the Secretary. We did document our rationales for selecting projects in a memorandum from myself to the Secretary that recommended projects for selection, and then again in a memorandum from the Secretary back to my office that actually designated projects for selection. These memoranda describe each

project selected (including the activities to be funded), identify the specific benefits expected from each project, and explain how each project satisfies the funding priorities established in the announcement. DOT also maintained summaries of the Review Team meetings, which we provided to GAO; GAO summarized excerpts of those documents in its report. The summaries indicated, for example, that we raised concerns about whether projects had adequate financial commitments from other funding partners, whether the projects were as ready to go as the applicant claimed, and whether the project's economic benefits were overstated. These were indeed typical of the kinds of concerns we raised about projects in our discussions.

Nevertheless, GAO was concerned that we had not documented the decision-making of the Review Team as thoroughly as we had documented the recommendations of our Evaluation Teams. We emphasize that we did document our rationale for selecting applications for award, but we also acknowledge GAO's concerns. The Congress has recently appropriated an additional \$527 million for the National Infrastructure Investments program, which is similar in design to the TIGER Grant Program. As we implement this program later this year, we plan to address the concerns raised by GAO.

GAO also reviewed the High-Speed Rail Program, particularly the process we used in evaluating and selecting projects for grant awards. GAO identified "six recommended practices used across the federal government to ensure a fair and objective evaluation and selection of discretionary grant awards." Of those six practices, GAO found that DOT fully applied five of the six principles, and partially applied the sixth. Overall, GAO concluded that "FRA substantially met recommended practices for awarding discretionary grants."

GAO also asked applicants for high-speed rail funding how effectively FRA communicated with them. GAO reported that "Applicants we spoke with praised FRA's communication and stated that FRA officials did a good job providing information and answering questions during the period leading up to the pre-application and application deadlines."

GAO also did a comparison between the high-speed rail program and 21 other competitive federal Recovery Act programs. GAO found that "FRA publicly communicated at least as much outcome information as all but one Recovery Act competitive grant program we reviewed." Finally, GAO did a statistical analysis of the factors that appeared to have influenced project selection. According to GAO, the statistical analysis "supports statements from senior department and FRA officials indicating that the technical review scores were largely the basis for their selection deliberations."

GAO concluded that "FRA established a fair and objective approach for distributing these funds and substantially followed recommended discretionary grant award practices used throughout the government."

As with the TIGER Grant program, GAO raised concerns about the adequacy of our documentation of the reasons for selecting one project over another, contrasting this with the “robust documentation of the other steps used to determine eligibility and assess technical merit.” FRA documented the rationales for selecting each application in a memorandum from the FRA Administrator to the Secretary recommending applications for selection, and then again in a memorandum from the Secretary to the FRA Administrator designating applications for selection. These memoranda describe each project selected (including the activities to be funded), identify the specific benefits expected from each project, and explain how each project satisfies the funding priorities established in the document. GAO argues that these memoranda did not make clear why the projects that were selected were better than the projects that were not selected.

We are currently in the process of reviewing a third round of applications for high-speed rail funding, and we have adopted a more thorough process of documenting our decisionmaking for project selection. We are being careful to identify the specific benefits of each project and how those benefits match up with the selection criteria in our Notice of Funding Availability. We take GAO’s concerns seriously, and we are always striving to improve on the processes we use to administer the programs that the Congress enacts.

We have tried to make our project selection process as transparent as possible. To the extent that we have fallen short, we commit ourselves to making improvements. But we believe that, on the whole, we have spent this funding wisely, on projects that will both aid the recovery process that we are still engaged in and provide lasting benefits to our Nation’s transportation system. I welcome your questions.